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THE Wool SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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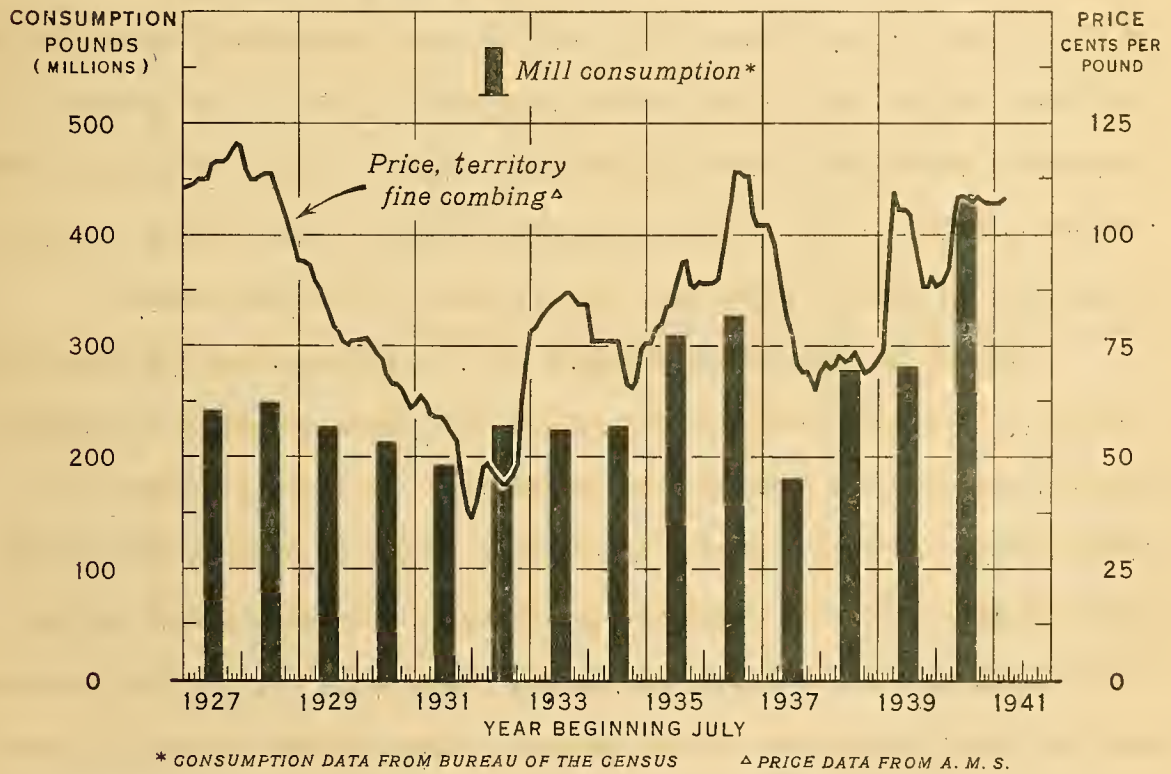
APPAREL WOOL, SCOURED BASIS: MILL CONSUMPTION IN UNITED STATES AND PRICE AT BOSTON, 1927-41



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U. S. DEPARTMENT OF AGRICULTURE NEG. 39632 BUREAU OF AGRICULTURAL ECONOMICS

CHANGES IN DOMESTIC WOOL PRICES IN RECENT YEARS HAVE BEEN CLOSELY ASSOCIATED WITH YEARLY CHANGES IN WOOL CONSUMPTION. ON THE BASIS OF FIGURES FOR YEARS BEGINNING IN JULY, MILL CONSUMPTION AND PRICES SHOW A STEADY DOWNWARD SWING FROM 1928-29 THROUGH 1931-32, FOLLOWED BY A SOMEWHAT IRREGULAR RECOVERY THROUGH 1936-37 AND A NEW UPWARD SWING AFTER 1937-38. THE USE OF THE JULY-JUNE YEAR FOR MILL CONSUMPTION DATA HAS A DECIDED ADVANTAGE FROM THE MANUFACTURING STANDPOINT BECAUSE OF THE SEASONAL DISTRIBUTION OF ACTIVITY IN THE INDUSTRY.

THE WOOL SITUATION

Summary

The current rate of mill consumption of apparel wool in the United States is about 75 percent above the average of recent years (1935-39), and consumption is likely to be maintained at the present rate during the remainder of 1941 and in the early months of 1942. In view of the high rate of consumption and possibilities of delays in ocean shipping, end-of-season stocks in the United States likely will be kept considerably above the level of recent years. And United States purchases of wool in the Southern Hemisphere during the 1941-42 season again will be large, possibly 400-500 million pounds. United States purchases of apparel wool in the Southern Hemisphere in 1940-41 probably totaled around 600 million pounds.

Because of the small carry-over of wool in Argentina and Uruguay on October 1, supplies available for export from those countries in 1941-42 will be considerably smaller than in 1940-41. In 1940-41 exports from these countries totaled around 550 million pounds of apparel and carpet wool. Supplies of wool available in Australia and South Africa in the 1941-42 season will be relatively large. Commercial reports indicate that United States buyers are placing orders in considerable volume in Australia for wools of the new clip.

Mill consumption of wool increased seasonally in August. The weekly rate of mill consumption of apparel wool was 9.96 million pounds, scoured basis. This was only slightly below the record rate of June and was 60 percent larger than in August 1940. Consumption on a scoured basis from January through July was almost twice as large as in the same months last year.

Imports of apparel wool for consumption in the first 7 months of this year totaled 400 million pounds compared with 108 million pounds in the same months of 1940. Receipts of foreign apparel wool at three ports, Boston, New York and Philadelphia, continued relatively large in August and September, but the weekly rate of receipts was much smaller than in the first half of the year. Total supplies of apparel wool in the United States on September 1, including 1941 production, were about 140 million pounds larger than a year earlier.

Sales of wool at Boston increased sharply in September following the invitation for bids on wool blankets and cloths for Army use. Prices advanced on most grades of wool, with the greatest advance (3 cents a pound, grease basis) reported on medium grades.

-- October 10, 1941

REVIEW OF RECENT DEVELOPMENTS

Sales and Prices Up in September

The dullness which characterized trading in the Boston wool market in August and the early part of September was broken with the Quartermaster's invitation to bid on sizable quantities of wool goods for Army use. Sales of wool increased sharply and prices advanced on most grades of wool, according to reports of the Agricultural Marketing Service. Demand was strongest for medium grades of wool. Prices of 3/8 and 1/4 blood, combing, fleece wools advanced 3 cents a pound, grease basis, during September.

Quoted prices of 3/8 blood combing territory wools at Boston averaged 94 cents a pound scoured basis in the first week of October compared with 89.5 cents a month earlier and 84 cents a year earlier. Quoted prices of fine combing (staple) territory wools averaged 108.5 cents a pound scoured basis in the latter part of September and first week of October, an advance of 1.5 cents a pound over the previous quoted price which had remained unchanged at $1.07 a pound since April. The average price of fine combing territory wool at Boston in the first week of October 1940 was 97 cents a pound. Most of the demand in September was for graded wools in the territory group. Manufacturers urgently needed the wools they bought and confined purchases largely to wools that required little preparation for manufacture.

Twelve-months Texas wools were sold in fairly large quantity in September, and prices strengthened with the advance in prices of fine territory wools. Prices on most sales of 12-months Texas wools during September were in the range $1.05-$1.08 a pound, scoured basis. Fall Texas wools of the new clip were quoted nominally at .97-$1.00 a pound, scoured basis, at Boston.

The average price of wool received by farmers in mid-September was 36.3 cents a pound compared with 35.7 cents a month earlier and 28 cents a year earlier. Prices received by farmers for wool shorn this year were the highest in at least 12 years.

Government Orders

Army contracts were awarded early in October for about 2 million blankets and 8 million yards of woolen and worsted cloth. Bids for these items were opened September 15. The original invitation called for bids on 1 million blankets. After negotiations with bidders awards were made on almost double that quantity. This purchase was said to have completed the Quartermaster's blanket purchase program for the 1941-42 fiscal year. There were indications that additional awards might be made on woolen and worsted items on the basis of the September bids.

The blanket orders call for the use of all domestic wool and will require about 21 million pounds of grease wool grading 56s to 60s. Delivery is to be completed within 150 days of award of contract. Purchases of woolen and worsted items will contain both domestic and foreign wools. The quantities specified in original invitations (8.7 million yards) were equivalent to about 25 million pounds of grease wool. Delivery of most items is to be completed within 130 days of award.

Mill Consumption Up in August

The weekly average mill consumption of apparel wool in August was 9.96 million pounds, scoured basis. This is 6 percent above the July rate of consumption and is only 5 percent below the record rate of June. August consumption was 60 percent larger than in August 1940. Consumption of apparel wool on a scoured basis in the first 8 months of 1941 was almost twice as large as in the same months last year and was the largest on record for the industry. Consumption on a greasy shorn and pulled basis from January through August totaled 625 million pounds compared with 352 million pounds in the same months last year.

Mill consumption of carpet wool also increased in July. Consumption of carpet wool on a scoured basis in the first 8 months of this year amounted to 90 million pounds compared with 60 million pounds for the same months last year.

Imports Decline Seasonally in July

Imports of apparel wool for consumption totaled 52.5 million pounds in July. The imports in July were 10 million pounds smaller than in June

but were five times as large as in July 1940, and were the largest July imports on record. The decline in imports in July compared with the preceding month probably was seasonal. In the first 7 months of 1941 imports for consumption amounted to 400 million pounds compared with 108 million pounds in the corresponding months of 1940.

General imports of apparel wool (entries for immediate consumption and into bonded warehouses) totaled 538 million pounds in the first 7 months of 1941. This total includes about 72 million pounds of Australian wool imported for British account and held for reserves. Total imports for British account from January through August were about 85 million pounds. Receipts of foreign apparel wool at three ports, Boston, New York, and Philadelphia, continued fairly large in August and September, but the weekly rate of receipts has declined considerably as compared with the average weekly rate in the first half of the year.

Imports of carpet wool for consumption totaled 19.1 million pounds in July compared with 7.5 million pounds in July 1940. In the first 7 months of 1941 imports of carpet wool for consumption were 138 million pounds compared with 88 million in the first 7 months of 1940.

South America - Sales

The 1941-42 season has opened in South America although wool from the new clip is not likely to be available for shipment in any considerable quantity before November or December. Early October reports indicate that some 4 or 5 million pounds of new clip wools had been sold in Uruguay for future shipment. Prices were strong in both Montevideo and Buenos Aires and were reported to be slightly higher than prices quoted on the last sales of 1940-41 clip wools in those markets. Because of the small supplies of old clip wool remaining for sale, prices in recent months have been largely nominal.

South America - Exports

During the first 11 months (October-August) of the 1940-41 season exports of wool from Argentina and Uruguay totaled 548 million pounds. The October-August exports were almost 50 percent larger than in the corresponding months of 1939-40 and were the largest in many years. In contrast to earlier years, about 83 percent of the exports were to the United States. From 1934 through 1938 only 16 percent of shipments went to the United States. Other countries taking an appreciable quantity of wool from Argentina and Uruguay in the 1940-41 season were Japan, Russia, and Sweden, each purchasing considerably more than usual. The United Kingdom, formerly one of the principal buyers in South America has filled requirements chiefly from Empire sources. Most continental European countries are largely cut off from the South American markets by the British blockade.

Exports of wool from Argentina and Uruguay in the first 11 months (October-August) of the export season, 1934-40 1/

Period beginning Oct. 1	Argentina		Uruguay		Two countries	
	United States 2/	Total	United States	Total	United States	Total
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
1934	39.5	297.0	3.8	113.2	43.3	410.2
1935	52.7	270.1	23.0	110.4	75.7	380.5
1936	77.5	294.4	26.9	120.6	104.4	415.0
1937	22.8	264.2	1.4	87.4	24.2	351.6
1938	60.1	346.5	15.1	123.0	75.2	469.5
5-year average	50.5	294.4	14.0	110.9	64.5	405.3
1939	125.2	268.6	33.0	101.9	158.2	370.5
1940	337.4	404.5	117.8	143.0	455.2	547.5

Compiled from commercial reports supplied by the Buenos Aires Office of Foreign Agricultural Relations.

1/ Weight of greasy, scoured and skin wool as reported.
2/ Includes small shipments to Canada in some years.

OUTLOOK

BACKGROUND.- Stimulated by large Government orders and increased incomes of consumers, mill consumption of apparel wool in the United States in early 1941 advanced to the highest level on record for the industry. Consumption in the first half of the year was fully twice as large as in the corresponding months of 1940. The increase in mill consumption in 1940 and 1941 was accompanied by a marked increase in wool prices. Prices received by farmers for wool shorn this year were 25 to 30 percent higher than a year earlier and were the highest in at least 12 years.

The marked increase in consumption resulted in rapid depletion of stocks of domestic wool, and imports increased to record levels in the early part of 1941.

United States Requirements from Southern Hemisphere again Large in 1941-42 Season

On the basis of reported carry-over (stocks) on April 1 and imports and mill consumption from April through August the calculated supply of foreign and domestic apparel wool in the United States on September 1, including 1941 production, was about 580 million pounds greasy shorn and pulled. The September 1 supply on this basis was about 140 million pounds (32 percent) larger than a year earlier.

Allowing for minimum carry-over stocks of 200 million pounds and a monthly rate of consumption of about 80 million pounds during the remainder of 1941 and early months of 1942, requirements for the period September 1, 1941 to April 1, 1942 would total about 760 million pounds, and minimum import requirements for this period would be about 180 million pounds. Stocks on April 1 probably will be larger than 200 million pounds, and actual imports for the period September 1941-March 1942 probably will be considerably greater than 180 million pounds.

As no additional supplies of domestic wool will be available much before June or July 1942, additional large quantities probably will be imported in the second quarter of 1942. With the current rate of mill consumption about 75 percent above the average of recent years (1935-39), and with possibilities of delays in ocean shipping, it seems likely that end-of-season stocks will be kept considerably above 200 million pounds. And total purchases of wool by United States buyers in the Southern Hemisphere during the 1941-42 season again will be large, possibly 400-500 million pounds of apparel wool.

South American Supplies Smaller in 1941-42

As reported in the September Wool Situation supplies available for export in Argentina and Uruguay in 1941-42 will be considerably smaller than in the 1940-41 season and supplies are likely to be smaller than the 5-year average (1935-36 - 1939-40). The prospective decline is due chiefly to the small carry-over into the current season.

In view of the current large import requirements of the United States prospects for disposal of the 1941-42 clips appear favorable even though the United States, Japan, and possibly the United Kingdom and Russia are now the only important markets for South American wools. In the 1940-41 season exports of wool from Argentina and Uruguay to the United States exceeded 450 million pounds, and countries other than the United States took about 100 million pounds. These totals include carpet wools as well as apparel wools.

Other Southern Hemisphere Supplies

Supplies of wool available in Australia and South Africa in the 1941-42 season will be relatively large. This wool has been purchased by the United Kingdom and is released by the British Wool Control under strict regulation of prices and destination. Commercial reports indicate that orders are being placed in considerable volume by United States buyers for Australian wools of the new clip. If United States imports of apparel wool of the 1941-42 season total 400-500 million pounds considerable wool must be obtained from Australia and South Africa. Purchases of Australian and South African wool by United States buyers in the 1940-41 season probably totaled around 250 million pounds.

WOOL CONSUMPTION IN THE UNITED STATES ON A JULY-JUNE BASIS

Annual statistics of wool consumption generally are shown on a calendar year basis. In recent years, prior to 1940, consumption on this basis showed a marked "up and down" movement - a tendency for a decrease in consumption to follow a year of increasing consumption. This movement was not in line with yearly changes in industrial production and did not accurately portray the swings in consumption of wool which had considerable effect on wool prices.

As shown in the chart on the cover page, this "up and down" movement is not apparent in annual statistics for the years beginning July 1. On this basis, mill consumption shows a steady downward swing from 1928-29 through 1931-32, followed by a somewhat irregular recovery through 1936-37. Changes in wool prices in these years are closely associated with the yearly consumption changes, and the relationship is maintained through 1940.

The use of the July-June year has a decided advantage from the manufacturing standpoint because of the seasonal distribution of activity in the industry. The beginning of the calendar year is a midseason period of high manufacturing activity in the wool industry. Because of the lag of several months between the use of raw wool at mills and the purchase of finished garments by the retail trade, mill consumption of wool for the spring season in men's wear is chiefly from November through February. The use of the calendar-year basis for mill consumption thus splits the men's wear spring season - probably the most important season - between 2 reporting years. A considerable part of the cloth for the fall season is produced by mills before July 1. Hence, consumption on a fiscal year basis is fairly representative of the yearly activity in the industry.

The use of the July-June year has advantages from the supply standpoint, also. The bulk of the wool clip in the United States is shown in April, May, and June with some fall shearing in the Southwest. Because of the time involved in shipping wool to eastern centers and in sorting, grading, etc., the wool of a given clip does not enter the manufacturing process in any considerable quantity before July 1. Thus most of the wool clip of 1940 was consumed by mills from July 1940 through June 1941.

Wool imports into the United States are largest in the early months of the calendar year when they are needed to supplement the domestic clip of the previous year. The middle of the year generally is a time of relatively small imports. The July-June year thus is also more representative for supplies from the Southern Hemisphere where wool is shorn mostly in the last half of the year.

Florence M. Hamilton

Wool, Territory, grades 64's, 70's, 80's (fine staple combing) scoured basis average price per pound, Boston, by months, 1927-41

Year beginning July	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1927	110.6	111.0	111.4	112.5	112.5	112.5	116.0	116.5	116.5	117.2	119.3	120.5
1928	119.8	115.3	112.5	112.5	113.2	113.5	113.5	110.5	107.8	104.5	100.2	97.4
1929	94.2	94.0	93.1	89.9	88.0	84.5	82.2	79.0	78.2	75.9	75.2	76.0
1930	76.0	76.0	76.2	75.0	73.1	72.1	68.4	66.5	66.5	65.7	63.5	61.5
1931	61.9	63.5	62.1	59.4	59.0	59.0	57.8	56.0	53.8	49.1	43.6	38.4
1932	36.5	40.6	47.8	48.5	46.7	45.0	44.0	44.0	45.6	48.5	62.4	70.0
1933	77.4	79.1	81.8	83.0	84.0	85.0	86.2	87.0	87.0	85.5	84.7	84.5
1934	84.5	76.0	76.0	76.0	76.0	76.0	76.0	71.0	66.0	65.8	67.2	74.0
1935	75.5	75.5	78.8	80.2	83.9	84.2	88.1	93.8	94.0	88.9	88.0	89.0
1936	89.0	89.0	89.0	90.0	99.0	106.8	114.0	114.0	113.0	113.0	104.5	102.0
1937	102.0	102.0	98.5	92.1	85.9	80.9	77.4	70.6	69.0	69.0	68.0	65.0
1938	68.6	71.2	70.0	71.0	72.8	71.9	72.2	73.8	71.8	69.0	69.8	70.8
1939	71.9	74.0	98.3	109.5	105.4	105.8	104.7	99.0	93.6	88.5	88.5	90.4
1940	88.4	89.0	92.4	104.5	108.5	108.5	108.1	107.5	108.5	107.6	107.0	107.0
1941	107.0	107.0	108.1									

Compiled from reports of the Agricultural Markeying Service.

Mill consumption of apparel wool, scoured basis, United States, 1918-40

Year beginning July	Mill consumption of apparel wool	Year beginning July	Mill consumption of apparel wool
	Million pounds		Million pounds
1918-19	279.5	1930-31	213.5
1919-20	342.5	1931-32	192.9
1920-21	226.3	1932-33	227.7
1921-22	316.7	1933-34	223.7
1922-23	335.9	1934-35	226.7
1923-24	259.5	1935-36	309.4
1924-25	244.8	1936-37	327.3
1925-26	252.0	1937-38	181.1
1926-27	266.1	1938-39	276.5
1927-28	241.0	1939-40	281.1
1928-29	247.9		
1929-30	226.1	1940-41	434.6

Compiled from Bureau of the Census Wool Consumption reports.

United States: Wool imports, consumption, and machinery activity, selected periods, 1939-41

Item	Year 1939	Year 1940	Jan.-July 1940	Jan.-July 1941	July 1940	June 1941	July 1941 1/
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption, actual weight: 2/							
Apparel	98,194	222,983	107,859	400,274	9,818	61,988	52,468
Finer than 40s	74,612	199,149	95,409	371,209	8,264	56,293	47,881
Not finer than 40s	23,582	23,834	12,450	29,065	1,554	5,695	4,587
Carpet, including camels hair	144,375	134,691	88,121	138,267	7,460	22,416	19,101
	Year 1939	Year 1940	Jan.-Aug. 1940	Jan.-Aug. 1941	Aug. 1940	July 1941	Aug. 1941
Mill consumption: 3/							
Grease basis - 4/							
Apparel	630,150	640,871	352,063	624,736	53,525	87,770	75,498
Carpet	148,513	137,494	83,548	130,053	10,112	16,440	16,095
Scoured basis -							
Aggregate -							
Apparel	295,083	310,021	174,339	332,249	24,799	46,750	39,824
Carpet	103,421	97,852	60,199	90,002	7,571	11,320	11,144
Weekly average -							
Apparel	5,636	5,962	4,981	9,492	6,200	9,350	9,956
Carpet	1,989	1,882	1,720	2,571	1,893	2,264	2,786
	Weekly average in hours						
Machinery activity: 3/							
Hours operated per machine in place -							
Worsted combs	51.8	55.1	47.6	84.7	58.6	83.2	82.7
Worsted spindles	39.6	37.7	32.2	58.9	41.7	60.0	64.5
Woolen spindles	39.8	43.2	38.6	61.8	47.4	63.9	71.3
Woolen and worsted looms -							
Broad	40.7	39.0	34.6	59.5	40.9	59.2	64.4
Narrow	13.2	13.6	13.0	25.1	13.2	27.1	31.8
Carpet and rug looms -							
Broad	37.4	37.9	35.8	50.0	34.4	45.6	53.8
Narrow	22.7	21.9	20.4	31.0	22.1	27.7	33.0

Import figures from the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity from the Bureau of the Census.

1/ August imports not yet available.
2/ Weight of greasy, scoured, and skin wool added together.
3/ Figures for August based on 4 weeks, July on 5 weeks, January-August on 35 weeks. No adjustments made for holidays.
4/ Total of shorn and pulled wool. Pulled wool, grease basis, is in condition received from pulleries and is mostly washed.

Prices of wool per pound in specified markets, and prices of textile raw materials in the United States, selected periods, 1939-41

	Average		High	Sept.	1941		
	1939	1940	1939 1/	1940	July	Aug.	Sept.
United States:	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Boston market-							
Territory, scoured basis-							
64s, 70s, 80s (fine) staple	82.7	96.3	109.5	92.4	107.0	107.0	108.1
56s (3/8 blood) combing	69.3	79.7	94.1	78.5	91.5	90.4	92.4
46s (low 1/4 blood)	62.6	76.1	87.5	76.0	81.8	83.4	85.0
Bright fleece, greasy-							
64s, 70s, 80s (fine) delaine	32.9	38.0	43.0	36.0	42.6	42.0	42.2
56s (3/8 blood) combing	36.2	41.2	48.8	41.2	46.4	45.6	48.0
46s (low 1/4 blood)	35.5	41.0	49.0	41.2	47.0	48.0	50.0
Foreign wool - in bond at Boston 2/							
Sydney - scoured basis							
64s, 70s, combing	58.6	67.9	79.2	63.5	72.8	70.8	70.5
Cape - scoured basis							
12 months, combing	53.7	62.9	73.8	61.6	71.1	68.8	68.5
Montevideo - grease basis							
Merinos (60-64s)	26.1	31.2	36.5	26.8	41.0	41.0	41.4
1s (56s)	28.3	32.4	38.5	28.8	39.5	39.5	39.5
Prices received by farmers, grease basis, 15th of month	22.3	3/28.4	28.7	28.0	36.3	35.7	36.3
Textile fibers:							
Wool, territory fine staple 4/	82.7	96.3	109.5	92.4	107.0	107.0	108.1
Cotton, 15/16" Middling 5/	9.30	10.17	10.84	9.48	15.58	16.14	17.10
Silk, Japanese 6/	271.8	278.1	392.1	256.1	304.9	No quot.	No quot.
Rayon yarn, 150 denier 7/	51.5	53.0	53.0	53.0	53.0	53.0	54.2
Rayon staple fiber 8/							
Viscose 1-1/2 denier	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Acetate 5 denier	46.0	43.0	46.0	43.0	43.0	43.0	43.0

Compiled from reports of the Agricultural Marketing Service except as otherwise noted.

1/ Highest monthly average price.
2/ Before payment of duty. Compiled from the Boston Commercial Bulletin.
3/ Preliminary.
4/ Scoured basis, Boston market.
5/ Average at ten markets.
6/ White, 13-15 denier, at New York, Bureau of Labor Statistics.
7/ Domestic yarn, first quality, Bureau of Labor Statistics.
8/ F.o.b. producing plants, Bureau of Labor Statistics.

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